

**HAMMOND AREA ECONOMIC AND INDUSTRIAL
DISTRICT**

ANNUAL FINANCIAL STATEMENTS

JUNE 30, 2007

HAMMOND, LOUISIANA

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

10/24/07

**Hammond Area Economic and Industrial Development District
Hammond, Louisiana**

Annual Financial Statements

**As of and for the Year Ended June 30, 2007
With Supplementary Information Schedules**

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August 30, 2007

Independent Auditor's Report

Mr. Pat Tobler, President and
Members of the Board of Directors
Hammond Area Economic and Industrial Development District
Hammond, Louisiana

We have audited the accompanying financial statements of the governmental activities and the general fund of the Hammond Area Economic and Industrial Development District, as of and for the year ended June 30, 2007, which collectively comprise the Hammond Area Economic and Industrial Development District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hammond Area Economic and Industrial Development District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Hammond Area Economic and Industrial Development District as of June 30, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2007, on our consideration of the Hammond Area Economic and Industrial Development District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 4 through 8 and the budgetary comparison schedule identified as Schedule 1 on page 22 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

Harold A. Bourgeois, CPA

Management's Discussion and Analysis

**Hammond Area Economic and Industrial Development District
Hammond, Louisiana**

Management's Discussion and Analysis

June 30, 2007

Introduction

The Hammond Area Economic and Industrial Development District ("HAEIDD") is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments (hereinafter referred to as GASB 34), and related standards. Please read the following in conjunction with HAEIDD's financial statements and footnotes, which follow this section.

Financial Highlights

- Total assets for the year were \$2,394,942 at June 30, 2007. HAEIDD had liabilities totaling \$1,072,684 and net assets of \$1,322,258.
- The majority of total assets (82.62%) were composed of an investment in Hammond Business Park, LLP. This amount represents expenditures paid as an equity interest in this partnership. Additional information on this partnership can be found in Note 8.
- As a result of the continuing payment of costs related to Hammond Business Park, LLP, HAEIDD began construction of a road to the Hammond Business Park during September 2006. This construction was financed through the issuance of \$890,000 of Revenue Bonds. The road was officially completed during June 2007.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of HAEIDD's financial condition and performance.

The financial statements report information on HAEIDD using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the nature and amount of HAEIDD's resources and obligations at year-end, and provides a basis for evaluating the capital structure of HAEIDD and assessing the liquidity and financial flexibility of HAEIDD.

The Statement of Activities accounts for the revenues and expenses for the fiscal year, and provides information on how net assets changed during the year. This statement measures the success of HAEIDD's operations in a format that can be used to determine if HAEIDD has recovered its costs through user fees and other charges.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about HAEIDD's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule, key information schedules on operation of HAEIDD, and schedules detailing audit findings and management response.

**Hammond Area Economic and Industrial Development District
Hammond, Louisiana**

Management's Discussion and Analysis

June 30, 2007

Financial Analysis

The purpose of financial analysis is to help determine whether HAEIDD is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Balance Sheet, and the Statement of Revenues, Expenses, and Changes in Net Assets, are presented below in condensed format. These statements report the net assets, the difference between assets and liabilities, and the change in net assets, which provides information for indicating the financial condition of HAEIDD. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

Condensed Balance Sheet

	June 30, 2007	June 30, 2006	Dollar Change	Percent Change
Current and Other Assets	\$ 416,284	\$ 23,188	\$ 393,096	1695.26%
Investment in Hammond Business Park, LLP	<u>1,978,658</u>	<u>557,074</u>	<u>1,421,584</u>	255.19%
Total Assets	<u>\$ 2,394,942</u>	<u>\$ 580,262</u>	<u>\$ 1,814,680</u>	312.73%
Current Liabilities	\$ 182,684	\$ -	\$ 182,684	N/A
Non-Current Liabilities	<u>890,000</u>	<u>-</u>	<u>890,000</u>	N/A
Total Liabilities	<u>\$ 1,072,684</u>	<u>\$ -</u>	<u>\$ 1,072,684</u>	N/A
Unreserved, Unrestricted	<u>\$ 1,322,258</u>	<u>\$ 580,262</u>	<u>\$ 741,996</u>	127.87%
Total Net Assets	<u>\$ 1,322,258</u>	<u>\$ 580,262</u>	<u>\$ 741,996</u>	127.87%
Total Liabilities and Net Assets	<u>\$ 2,394,942</u>	<u>\$ 580,262</u>	<u>\$ 1,814,680</u>	312.73%

The major components of change for "Current and Other Assets" are a \$270,000 increase in accounts receivable due from Louisiana Hospital Center, LLC (received July 2, 2007) and a \$103,512 increase in cash.

"Current Liabilities" reflect final payments totaling \$174,855 due on the road construction for the Hammond Business Park as well as other miscellaneous payables totaling \$1,895 and the current portion of the bonds interest payable of \$5,934. "Non-Current Liabilities" shows the outstanding bonds payable of \$890,000.

"Total Net Assets" (total assets less total liabilities) increased by \$741,996 for the fiscal year ending June 30, 2007, primarily because of the increase in "Investment in Hammond Business Park, LLP" of \$1,421,584 and the issuance of \$890,000 of 2007 Revenue Bonds.

**Hammond Area Economic and Industrial Development District
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Management's Discussion and Analysis

June 30, 2007

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	June 30, 2007	June 30, 2006	Dollar Change	Percent Change
Revenues:				
General Revenues	\$ 292,745	\$ 137,500	\$ 155,245	112.91%
Grant from HIDB	455,588	179,707	275,881	153.52%
Total Revenues	<u>748,333</u>	<u>317,207</u>	<u>431,126</u>	135.91%
Expenses:				
General Expenditures	5,783	-	5,783	N/A
Amortization Expense	554	-	554	N/A
Total Expenses	<u>6,337</u>	<u>-</u>	<u>6,337</u>	N/A
Changes in Net Assets	<u>741,996</u>	<u>317,207</u>	<u>424,789</u>	133.92%
Beginning Net Assets - Originally Stated	580,262	(179,054)	759,316	424.07%
Prior Period Adjustment	<u>-</u>	<u>442,109</u>	<u>(442,109)</u>	-
Beginning Net Assets - Restated	<u>580,262</u>	<u>263,055</u>	<u>317,207</u>	120.59%
Ending Net Assets	<u>\$ 1,322,258</u>	<u>\$ 580,262</u>	<u>\$ 741,996</u>	127.87%

While the Balance Sheet shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers to the nature and scope of these changes. The above table gives an indication of how HAEIDD is being conservatively managed. Total "General Revenues" increased by \$155,245 (112.91%). "Grants from HIDB", consisting of payments made by the Hammond Industrial Development Board of Hammond, Inc. on behalf of HAEIDD under a cooperative endeavor agreement increased by \$275,881.

HAEIDD showed an income of \$741,996 for the fiscal year ended June 30, 2007 as compared to the income of \$317,207 for the fiscal year ended June 30, 2006 because of the additional administrative penalty fee of \$145,000 for the late payment of the required administrative fee and the additional subsidy from HIDB of \$275,881 in the current year.

Budgetary Highlights

HAEIDD adopts an annual operating budget in accordance with requirements of the provisions of Louisiana R.S. 39.1301 - 1315. HAEIDD prepares and submits its annual budget to the Board of Commissioners for approval. This budget is presented on a Non-GAAP cash basis. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of HAEIDD. The operating budget is adopted before the end of the prior fiscal year, and is amended after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in a condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget

**Hammond Area Economic and Industrial Development District
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Management's Discussion and Analysis

June 30, 2007

and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 - Budgetary Comparison Schedule," as supplementary information, following the footnotes to the financial statements.

	<u>Final Budget</u>	<u>Actual - Budgetary Basis</u>	<u>Dollar Variance</u>
Revenues:			
Administrative Fees - LHC	\$ 20,000	\$ 20,000	\$ -
Other	<u>2,700</u>	<u>2,745</u>	<u>45</u>
Total Revenues	22,700	22,745	45
Operating Expenses:			
General Expenditures:			
Parish Economic Development	5,625	5,625	-
Investment in Hammond Business Park, LLP:			
Accounting Fees	17,500	17,207	293
Advertising & Promotion	2,000	1,945	55
Insurance	1,203	1,203	-
Land Acquisition / Option Funds	7,500	7,500	-
Legal Fees	150,000	132,158	17,842
Office Expenses	750	1,094	(344)
Property Taxes	16,934	16,934	-
Road Construction	997,500	909,577	87,923
Wetlands Mitigation	112,600	112,600	-
Debt Service	<u>582,331</u>	<u>595,978</u>	<u>(13,647)</u>
Total Expenditures	1,893,943	1,801,821	92,122

"Road Construction" was under budget by \$87,923 due to some final remaining costs that were due to be paid during the next fiscal year.

Future Economic Plans

HAEIDD's management approach is conservative. The Board of Commissioners actively monitors revenues and expenses and evaluates the costs of proposed expansion projects. HAEIDD recently completed the construction of a road leading to the Hammond Business Park. The sale of lots in the park is expected to begin during the upcoming fiscal year.

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Management's Discussion and Analysis

June 30, 2007

Requests for Information

This financial report is designed to provide a general overview of HAEIDD's finances for all those with an interest in the entity's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Stacey Neal, Administrative Assistant, 1514 Martens Drive, Suite 130, Hammond, LA 70401.

Basic Financial Statements

**Hammond Area Economic and Industrial Development District
Hammond, Louisiana**

Exhibit A

Governmental Fund Balance Sheet / Statement of Net Assets

June 30, 2007

	<u>General Fund</u>	<u>Adjustments (Note 1)</u>	<u>Governmental Activities - Statement of Net Assets</u>
Assets			
Cash and Cash Equivalents	\$ 126,700	\$ -	\$ 126,700
Accounts Receivable	270,000	-	270,000
Investment in Hammond Business Park, LLP	-	1,978,658	1,978,658
Bond Issuance Costs	-	20,138	20,138
Accumulated Amortization	<u>-</u>	<u>(554)</u>	<u>(554)</u>
 Total Assets	 <u>396,700</u>	 <u>1,998,242</u>	 <u>2,394,942</u>
Liabilities			
Accounts Payable	127,922	-	127,922
Retainage Payable	48,828	-	48,828
Accrued Bond Interest Payable	-	5,934	5,934
Non-Current Liabilities:			
Due Within One Year	-	62,000	62,000
Due in More Than One Year	<u>-</u>	<u>828,000</u>	<u>828,000</u>
 Total Liabilities	 <u>176,750</u>	 <u>895,934</u>	 <u>1,072,684</u>
Fund Equity / Net Assets			
Fund Balance - Unreserved, Undesignated	<u>219,950</u>	<u>1,102,308</u>	<u>1,322,258</u>
 Total Fund Equity / Net Assets	 <u>\$ 219,950</u>	 <u>\$ 1,102,308</u>	 <u>\$ 1,322,258</u>

The accompanying notes are an integral part of this statement.

**Hammond Area Economic and Industrial Development District
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Exhibit B

**Statement of Governmental Fund Revenues, Expenditures, and Changes in
Fund Balance / Statement of Activities**

For the Year Ended June 30, 2007

	<u>General Fund</u>	<u>Adjustments (Note 1)</u>	<u>Governmental Activities - Statement of Activities</u>
Expenditures / Expenses:			
Current:			
General Expenditures	\$ (5,783)	\$ -	\$ (5,783)
Investment in Hammond Business Park, LLP	(1,376,810)	1,376,810	-
Amortization Expense	-	(554)	(554)
Debt Service:			
Bond Issuance Costs	(20,138)	20,138	-
Interest	(38,840)	38,840	-
Principal	(537,000)	537,000	-
Total Expenditures / Expenses	<u>(1,978,571)</u>	<u>1,972,234</u>	<u>(6,337)</u>
General Revenues:			
Administrative Fees from Louisiana Hospital Center, LLC	290,000	-	290,000
Other Income	2,745	-	2,745
Total General Revenues	<u>292,745</u>	<u>-</u>	<u>292,745</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,685,826)	1,972,234	286,408
Other Financing Sources (Uses):			
Grant from HIDB	455,588	-	455,588
Proceeds from Sale of Bonds	1,427,000	(1,427,000)	-
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses / Change in Net Assets	196,762	545,234	741,996
Fund Balance / Net Assets:			
Beginning of the Year	23,188	557,074	580,262
End of the Year	<u>\$ 219,950</u>	<u>\$ 1,102,308</u>	<u>\$ 1,322,258</u>

The accompanying notes are an integral part of this statement.

**Hammond Area Economic and Industrial Development District
Hammond, Louisiana**

Notes to the Financial Statements

June 30, 2007

1. Summary Of Significant Accounting Policies

A. Reporting Entity

The basic entity being reported on is the Hammond Area Economic and Industrial Development District ("HAEIDD"). HAEIDD was created by Louisiana Revised Statutes 33:130.611 to 130.619. HAEIDD is a political subdivision of the State of Louisiana and is governed by a Board of Commissioners consisting of a minimum of seven and a maximum of nine members. These members are appointed by the Mayor of the City of Hammond, Louisiana and approved by a majority vote of the Hammond City Council. Members shall serve three-year terms. The Board of Commissioners receive no compensation.

HAEIDD was created for the primary objective and purpose of promoting and encouraging the development of economic and industrial opportunities, stimulating the economy through renewed commerce and industry, and for the utilization and development of natural and human resources of the area by providing job opportunities.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Because HAEIDD is legally separate and fiscally independent, HAEIDD is a separate governmental reporting entity.

HAEIDD includes all the funds and account groups that are within the oversight responsibility of HAEIDD. The accompanying financial statements present information only on the funds maintained by HAEIDD and do not present information of the State of Louisiana or the general government services provided by that or any other governmental entity.

B. Basis of Presentation

The accompanying basic financial statements of HAEIDD have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of July 1, 2001.

C. Fund Accounting

HAEIDD uses funds to report on its financial position and the results of its operations. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

**Hammond Area Economic and Industrial Development District
Hammond, Louisiana**

Notes to the Financial Statements

June 30, 2007

Governmental Funds

General Fund – The General Fund is the general operating fund of HAEIDD. It is used to account for all financial resources, except those required to be accounted for in another fund.

D. Basis of Accounting

The amounts reflected in the Governmental Funds of Exhibits A and B are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of HAEIDD's operations.

The amounts reflected in the Governmental Funds of Exhibits A and B use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. HAEIDD considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

E. Government-Wide Financial Statements

The column labeled Statement of Net Assets (Exhibit A) and the column labeled Statement of Activities (Exhibit B) display information about HAEIDD as a whole. These statements include all the financial activities of HAEIDD. Information contained in these columns reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The reconciliation of the items reflected in the funds columns to the Statement of Activities (Exhibit B) and the Statement of Net Assets (Exhibit A) for the year ended June 30, 2007 is as follows:

**Hammond Area Economic and Industrial Development District
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Notes to the Financial Statements

June 30, 2007

Exhibit B

Record Current Year Investment in Partnership Interest	\$ 1,415,650
Record Amortization Expense	(554)
Capitalize Bond Issuance Costs	20,138
Record Long-Term Bond Payments as Liability Payments	537,000
Record Long-Term Bonds Payable	(1,427,000)
Adjustment to Beginning Fund Balance for Prior Year:	
Investment in Partnership Interest	557,074
Net Effect of Changes	<u>\$ 1,102,308</u>

Exhibit A

Recording Investment in Partnership Interest	\$ 1,978,658
Capitalization of Bond Issuance Costs	20,138
Recording of Accumulated Amortization on Bond Issuance Costs	(554)
Recording Current Long-Term Bonds Payable	(62,000)
Recording Non-Current Long-Term Bonds Payable	(828,000)
Recording Accrued Bond Interest Payable	(5,934)
Net Effect of Changes	<u>\$ 1,102,308</u>

F. Budgetary Practices

Budgetary procedures applicable to HAEIDD are defined in state law, Louisiana Revised Statutes 39:1301-14. The major requirements of the Local Government Budget Act are summarized as follows:

1. HAEIDD must adopt a budget each year for the general fund and each special revenue fund, if applicable.
2. HAEIDD must prepare a proposed budget and submit it to the Board Members for consideration no later than fifteen days prior to the beginning of each fiscal year. At the same time, if total proposed expenditures are \$500,000 or more, a notice of public hearing on the proposed budget must be published in the official journal.
3. All action necessary to adopt and implement the budget must be completed prior to the beginning of the fiscal year. A proposed hearing was held and the budget adopted prior to the beginning of the fiscal year.
4. Budgetary amendments involving the transfer of funds from one program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board Members. The budget was amended on June 14, 2007 and June 20, 2007.
5. The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended

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budgets. All budgets are presented on the cash basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General Fund presents actual expenditures on a Non-GAAP basis.

G. Encumbrances

HAEIDD does not utilize encumbrance accounting.

H. Cash and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, HAEIDD may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, HAEIDD may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at original cost. See Note 2 regarding cash, cash equivalents, and investments, for further information regarding cash and investments.

HAEIDD records its investments at estimated fair value or at book value if fair value is not readily determinable as determined by the corporation's management. Fair value generally is considered to be the amount which the corporation might reasonably expect to receive for its investments if negotiations for sale were entered into on the valuation date. Valuation as of any particular date, however, is not necessarily indicative of the amount which HAEIDD ultimately may realize as a result of future sale or other disposition of the investments.

In preparing the financial statements, HAEIDD's management is required to make significant judgments that affect the reported amounts of investments as of the date of the balance sheet and the change in unrealized appreciation (depreciation) for the period. Because of the inherent uncertainty of valuation, these estimated values may differ significantly from the value that would have been used had a ready market for the investments existed and these differences could be material.

The process of valuing investments requires significant judgments that are particularly susceptible to change. HAEIDD's management believes that investment values are appropriate. While HAEIDD's management uses available information to recognize declines in investment values, future adjustments may be necessary based on changes in economic conditions or changes in the results of the operations of investee companies.

The valuation policies of HAEIDD's management in determining the fair value of HAEIDD's investment include the following:

1. Marketable securities listed on a national securities exchange are valued at their closing sales price on the valuation date;

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2. Marketable securities traded over-the-counter are valued at their closing bid price on the valuation date, as reported in the National Association of Securities Dealers' Automated Quotation System (NASDAQ) or if not reported in NASDAQ, as reported by the National Quotation Bureau (or any successor to such organization);
3. Restricted securities (securities not freely marketable, but part of a class of securities listed on a national securities exchange or traded over-the-counter) are valued at a discount from the security's value determined under the above subsections, reflecting their limited marketability; and
4. All other securities are valued initially at cost with subsequent adjustments to values which reflect meaningful third-party transactions in the private market or at fair market value reflecting, in any event, their marketability, the business and prospects of issuer of such securities, and other relevant factors.

I. Inventories

HAEIDD uses the purchase method for accounting for expendable supplies whereby expenditures are recognized when the items are purchased. HAEIDD did not record inventory at June 30, 2007.

J. Prepaid Items

HAEIDD did not record any prepaid items at June 30, 2007.

K. Capital Assets

HAEIDD did not record any capital assets at June 30, 2007.

2. Cash, Cash Equivalents, and Investments

Cash includes amounts in demand deposits, interest bearing demand deposits, and money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, HAEIDD may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

As confirmed by fiscal agents, HAEIDD had cash and cash equivalents totaling \$159,192 with a carrying amount of \$126,700 as of June 30, 2007. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are held by and in the name of the fiscal agent bank but pledged to HAEIDD. The following is a summary of cash (bank balances) at June 30, 2007, with the related federal deposit insurance and pledge securities:

**Hammond Area Economic and Industrial Development District
Hammond, Louisiana**

Notes to the Financial Statements

June 30, 2007

Bank Balances:	
Insured (FDIC Insurance)	\$ 100,000
Collateralized:	
Collateral held by HAEIDD's agent in HAEIDD's name	-
Collateral held by pledging bank's trust department in HAEIDD's name	-
Collateral held by pledging bank's trust department not in HAEIDD's name	59,192
Uninsured and Uncollateralized	-
Total Deposits	<u>\$ 159,192</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, HAEIDD's deposits may not be returned to it. HAEIDD does not have a deposit policy for custodial risk. As of June 30, 2007, \$59,192 of HAEIDD's bank balance of \$159,192 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ -
Uninsured and collateral held by pledging bank's trust department not in HAEIDD's name	59,192
Total	<u>\$ 59,192</u>

Deposits collateralized by pledged securities are considered to be exposed to credit risk (Category 3) under the provisions of GASB Statement 40. However, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by HAEIDD that the fiscal agent has failed to pay deposited funds upon demand.

3. Changes in Long-Term Debt

The following is a summary of debt transactions for HAEIDD for the year ended June 30, 2007:

Type of Debt	Balance at 07/01/06	Bonds Issued	Bonds Retired	Balance at 06/30/07	Amounts Due Within One Year
Revenue Bonds, Series 2006	\$ -	\$ 537,000	\$ 537,000	\$ -	\$ -
Revenue Bonds, Series 2007	-	890,000	-	890,000	62,000
Total Long-Term Debt	<u>\$ -</u>	<u>\$ 1,427,000</u>	<u>\$ 537,000</u>	<u>\$ 890,000</u>	<u>\$ 62,000</u>

**Hammond Area Economic and Industrial Development District
Hammond, Louisiana**

Notes to the Financial Statements

June 30, 2007

Long-term debt at June 30, 2007 is comprised of the following:

Revenue Bonds

\$890,000 Revenue Bonds, Series 2007 dated March 22, 2007; Due in annual installments of \$62,000 - \$123,000 through March 1, 2017; Interest at 8.00% (Payable from a pledge of certain revenues of the General Fund).

\$ 890,000

The annual requirements to amortize all debt outstanding at June 30, 2007, including interest payments of \$432,087 are as follows:

<u>Year Ending Date</u>	<u>2007 Revenue Bonds</u>
June 30, 2008	\$ 129,047
June 30, 2009	132,240
June 30, 2010	132,960
June 30, 2011	132,200
June 30, 2012	133,040
June 30, 2013 - 2017	<u>662,600</u>
	\$ 1,322,087
Less Interest Portion	<u>432,087</u>
	<u>\$ 890,000</u>

HAEIDD issued \$890,000 of Series 2007 revenue bonds for a current refunding of \$537,000 of Series 2006 revenue bonds. The Series 2007 revenue bonds included \$407,976 of proceeds to refund the Series 2006 revenue bonds plus additional proceeds of \$482,024. The refunding was undertaken to obtain a lower interest rate, extend the debt maturity schedule, and provide additional funding for capital outlay. The reacquisition price was the same as the carrying amount of the old debt. This transaction resulted in an economic loss of approximately \$465,000 and an increase of approximately \$798,000 in future debt service payments. This economic loss was caused by the additional debt issued for capital outlay.

4. Compliance with Revenue Bond Covenants

The District, through its governing authority, adopted a resolution on February 8, 2007 authorizing the issuance of \$890,000 Revenue Bonds, Series 2007 for refunding the \$537,000 Revenue Bonds, Series 2006 and for financing additional improvements to the business park. The major covenants contained in the resolution and the manner in which the District has complied with these covenants is described as follows:

Budget and Audit Requirements - In the resolution, the District is required to adopt a budget at the beginning of each fiscal year as well as to have its financial records audited within five months after the close of each fiscal year.

**Hammond Area Economic and Industrial Development District
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Notes to the Financial Statements

June 30, 2007

As of June 30, 2007, the District was in compliance with this bond covenant.

Other Requirements – The resolution contains additional covenants regarding other miscellaneous provisions.

As of June 30, 2007, the District was in compliance with these other bond covenants in all material respects.

5. Per Diem Paid Board Members

For the year ended June 30, 2007, no per diem or other compensation was paid to the Board members of HAEIDD.

6. Conduit Debt Obligation

To provide for the acquisition of land and the construction of a hospital in Tangipahoa Parish, Louisiana, HAEIDD has issued \$15,000,000 Taxable Revenue Bonds (Louisiana Hospital Center, LLC Project) Series 2006. These bonds are special limited obligations of HAEIDD payable solely from and secured by a pledge of income to be received from the lease agreement between HAEIDD and the Louisiana Hospital Center, LLC dated February 1, 2006. The bonds do not constitute a debt or pledge of the faith and credit of HAEIDD, Tangipahoa Parish, or the State of Louisiana, and accordingly have not been reported in the accompanying financial statements.

At June 30, 2007, taxable revenue bonds outstanding aggregated \$15,000,000.

In addition to the payments made by the lessee directly to the trustee for payment of the bonds, the lessee, (Louisiana Hospital Center, LLC), has agreed to pay directly to HAEIDD on February 1 of each year the sum of \$145,000. There is also a penalty clause in the agreement that requires Louisiana Hospital Center, LLC to pay an additional \$145,000 in the event of default or late payment of the administrative fee. During the current year, Louisiana Hospital Center, LLC was late with their payment and was assessed this late penalty. These payments have been included as revenues in HAEIDD's General Fund.

7. Related Party Transactions

On February 1, 2003, HAEIDD entered into a Cooperative Endeavor Agreement with the Industrial Development Board of the City of Hammond, Inc. (HIDB). HIDB is a non-profit organization registered with the Internal Revenue Service created for the purpose of promoting and encouraging the development of economic and industrial opportunities, stimulating the economy through renewed commerce and industry, and utilizing and developing natural and human resources to provide job opportunities. HAEIDD and HIDB agreed to collaborate efforts to further the economic interest of the Hammond community. In this agreement, HAEIDD agreed to reimburse HIDB for expenses HIDB incurs on behalf of HAEIDD. Likewise, HIDB agreed to reimburse HAEIDD for expenses HAEIDD incurs on behalf of HIDB.

During the year ended June 30, 2006, a resolution by both HAEIDD and HIDB was passed that had the effect of treating all expenses paid by HIDB on behalf of HAEIDD as grants rather than payables. During the current fiscal year, HIDB transferred \$250,000 in cash to HAEIDD in addition to paying \$205,588 of

**Hammond Area Economic and Industrial Development District
Hammond, Louisiana**

Notes to the Financial Statements

June 30, 2007

expenses on behalf of HAEIDD. These transactions were considered to be approved under the resolution passed during the June 30, 2006 fiscal year.

8. Investment in Hammond Business Park, LLP

On November 29, 2004, HAEIDD and Hipark, LLC (a private investor) entered into a partnership agreement to create the Hammond Business Park, LLP for the purpose of acquiring and jointly developing a track of land in Tangipahoa Parish into a business park pursuant to LRS 33:130.613. The partnership agreement also provides for the marketing and sale of the subdivided parcels (once developed) to businesses and individuals who meet certain economic development criteria.

Per the terms of the agreement, Hipark, LLC has contributed \$2.2 million to purchase the land that is being developed. HAEIDD has contributed their option to purchase this tract of land and will also contribute the value of all site development site work including such things as construction of a roadway to access the land, wetland surveys and analysis, engineering, and the purchase of a right of way adjoining the tract of land. As of June 30, 2007, HAEIDD's contributions to the partnership for these development type expenses totaled \$1,978,658, which is reflected as an Investment in Hammond Business Park, LLP on HAEIDD's balance sheet. Management feels the cost of this investment approximates market value as of June 30, 2007. As of June 30, 2007, roadway access to the business park has been completed and lots are currently being marketed for sale.

Also per the terms of the agreement, HAEIDD shall contribute its option and the value of the site development work in exchange for a 50.1% ownership interest in the partnership and Hipark, LLC has contributed the purchase of the land for a 49.9% ownership interest in the partnership. Profits and losses of the partnership are to be split according to these same percentages

Furthermore, as outlined in the partnership agreement, there is a stipulation that if the business park does not achieve a commercially reasonable rate of return as defined in the partnership agreement, Hipark, LLC may make demand for HAEIDD to transfer to Hipark, LLC its ownership interest in the partnership in exchange for Hipark, LLC's assumption of Partnership debts. Alternatively, in the event of failure to achieve a commercially reasonable return, Hipark, LLC shall have the option to liquidate the partnership rather than to require transfer of HAEIDD's interest. For purposes of this provision, the business park shall be deemed to have failed to achieve a commercially reasonable rate of return if, within any two year period (commencing on the second anniversary of this agreement), the sums distributed to Hipark, LLC resulting from the sales of lots are less than 1/5 (per two year period) of its initial capital contribution. The first two-year period for measuring whether a commercially reasonable rate of return has occurred began on December 1, 2006 and will end on November 30, 2008.

Required Supplemental Information

**Hammond Area Economic and Industrial Development District
Hammond, Louisiana**

Schedule 1

**Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual**

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget Favorable / (Unfavorable)</u>
Revenues:				
Land Sales	\$ 800,000	\$ -	\$ -	\$ -
Administrative Fees - LHC	95,000	20,000	20,000	-
Other	-	2,700	2,745	45
Total Revenues	895,000	22,700	22,745	45
Expenditures:				
General Expenditures:				
Parish Economic Development	5,625	5,625	5,625	-
Investment in Hammond Business Park, LLP:				
Accounting Fees	15,000	17,500	17,207	293
Advertising & Promotion	20,000	2,000	1,945	55
Business Park - Permits / Special Studies	27,000	-	-	-
Insurance	-	1,203	1,203	-
Land Acquisition / Option Funds	-	7,500	7,500	-
Legal Fees	60,000	150,000	132,158	17,842
Maps and Surveys - Industrial Park	20,000	-	-	-
Office Expenses	7,250	250	954	(704)
Property Taxes	14,100	16,934	16,934	-
Road Construction	1,137,515	997,500	909,577	87,923
Travel	5,000	500	140	360
Wetlands Mitigation	112,600	112,600	112,600	-
Debt Service:				
Bond Issuance Costs	-	20,138	20,138	-
Interest	-	25,193	38,840	(13,647)
Principal	-	537,000	537,000	-
Total Expenditures	1,424,090	1,893,943	1,801,821	92,122
Excess (Deficiency) of Revenues over Expenditures	(529,090)	(1,871,243)	(1,779,076)	92,167
Other Financing Sources (Uses):				
Grant from HIDB	-	455,588	455,588	-
Proceeds from Sale of Bonds	600,000	1,427,000	1,427,000	-
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	70,910	11,345	103,512	92,167
Fund Balance - Beginning of the Year	23,188	23,188	23,188	-
Fund Balance - End of the Year	\$ 94,098	\$ 34,533	\$ 126,700	\$ 92,167

See auditor's report.

**Other Independent Auditor's Report and
Findings and Questioned Costs**

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***



Hannis T. Bourgeois, LLP

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August 30, 2007

Mr. Pat Tobler, President and
Members of the Board of Directors
Hammond Area Economic and Industrial Development District
Hammond, Louisiana

We have audited the financial statements of the governmental activities and the general fund of the Hammond Area Economic and Industrial Development District, Hammond, Louisiana, as of for the year ended June 30, 2007, which collectively comprise the Hammond Area Economic and Industrial Development District's basic financial statements and have issued our report thereon dated August 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Hammond Area Economic and Industrial Development District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hammond Area Economic and Industrial Development District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hammond Area Economic and Industrial Development District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Hammond Area Economic and Industrial Development District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Hammond Area Economic and Industrial Development District's financial statements that is more than inconsequential will not be prevented or detected by the Hammond Area Economic and Industrial Development District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Hammond Area Economic and Industrial Development District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be

significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hammond Area Economic and Industrial Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Harmon L. Boulgeois, CPA

Findings and Questioned Costs

**Hammond Area Economic and Industrial Development District
Hammond, Louisiana**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2007

Internal Control over Financial Reporting

None

Compliance and Other Matters

None

Summary Schedule of Prior Findings

**Hammond Area Economic and Industrial Development District
Hammond, Louisiana**

Summary Schedule of Prior Findings

For the Year Ended June 30, 2007

<u>Ref. #</u>	<u>Fiscal Year Findings Initially Occurred</u>	<u>Description of Findings</u>	<u>Corrective Action Taken</u>	<u>Planned Corrective Action - Partial Corrective Action Taken</u>
None	N/A	N/A	N/A	N/A

Note: This schedule has been prepared by the management of the Hammond Area Economic and Industrial Development District.